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C O N F I D E N T I A L SECTION 01 OF 03 BELGRADE 000617

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SUBJECT: KOSTUNICA'S PARTY GIVES RADICALS CONTROL OF PARLIAMENT

Classified by Ambassador Michael Polt, reasons 1.4 (b,d)

WHAT HAPPENED

1. (u) At 0300 on May 8, after a 17-hour marathon session, the Serbian parliament elected Radical Party (SRS) deputy president Tomislav Nikolic speaker with 142 votes in favor (99 opposed, 9 did not vote - absence). The vote went on strict party lines - SRS, the Socialists (SPS) and Kostunica's DSS all voted unanimously in favor, while Tadic's DS, Dinkic's G-17 Plus, and the center-left LDP-led coalition, along with minority parties, voted against Nikolic's appointment.

2. (sbu) The vote was taken in an almost vicious atmosphere on the floor of the parliament (televised live throughout the night) that featured intense trading of barbed insults and, on several occasions, reversion to the hate speech of the Milosevic era by Nikolic's and Kostunica's deputies - trying to separate the country into "traitors" and "patriots." Dinkic reaffirmed earlier statements that G-17 Plus will drop out of coalition talks immediately following the vote, deputies from DS, LDP, and G-17 walked out of the chamber, declining to remain on the floor for Nikolic's acceptance speech. In the speech, Nikolic reassured the chamber that SRS would not endeavor to form a coalition government with DSS, and added that he fully expected to be replaced as speaker if and when a coalition returned 126 votes for a replacement - hinting that he expects DS, DSS, and G-17 still to make a last-minute deal before the May 14 deadline.

3. (sbu) While the vote happened too late to be reflected in the morning press, many local papers captured the flavor of the debate. Popular tabloid Blic carried a front-page banner headline "Only Sloba is Missing," (a reference to Milosevic) over a photo montage of Kostunica, Nikolic, NS leader Ilic, and SPS leader Ivica Dacic (and their minor coalition partners) superimposed on a shot of the parliament. Local morning radio on progressive B92, meanwhile, took a sarcastic swipe at the proceedings, dedicating the morning's programming to nationalist music sung by "Ceca" Raznatovic, popular folk singer and widow of war criminal Arkan.

SIGNIFICANCE

4. (c) As speaker, Nikolic has potentially significant enumerated powers: he becomes President in the event the current President (Tadic) is incapacitated; he sets the legislative agenda for the parliament, controlling which laws are voted on and when; and he has the responsibility to call municipal, presidential, and (this term only) Vojvodina parliamentary elections. However, in the event new elections are called (i.e., if no coalition agreement happens by May 14), parliament is dissolved and he loses the position.

5. (c) More importantly, though, is the symbolic significance of this move. This vote represents the first time since the fall of Milosevic that a Radical official has held national office, and the first time ever that Radicals have held the top spot in the

parliament. Achieving such a position after having been shut out of national politics for seven years (despite consistently holding the plurality in parliament) would undoubtedly buoy the SRS going into any new elections. More disturbingly, since this vote could not have succeeded without the full support of Kostunica and the DSS, and given the vitriolic hate speech coming equally from DSS and SRS deputies during the debate, it also has confirmed to many "average" Serbians the PM's true leanings.

OUR REACTION

16. (c) The Ambassador phoned Tadic and Kostunica early in the day on May 8, and has a call in to Dinkic. Tadic, sounding tired and depressed, was without a clear strategy on next steps. He thinks Kostunica has not fully given up on the possibility of a deal either with the DS, but promised there would be "no more concessions" by the DS. He said the DSS and SRS do not have a deal but are talking about one. The Ambassador asked Tadic if he thought Kostunica's support of Nikolic as a DSS bluff to push the DS harder. With a despondent laugh, the President allowed for the possibility but added that he could see Kostunica going through with a deal with the Radicals. The President bemoaned that many people blame him for being obstructionist and that it was him, and not Kostunica, who was taking the hit for the delay in government formation. Tadic said that Dinkic has always supported Kostunica against him, and suspected that would continue even after Nikolic's election. Nevertheless, Tadic said that Kostunica's demands for Interior and BIA are "impossible" for him to accept. Tadic said he is not sure what to do in the next "difficult days." He said he was still analyzing the events of the day before. He asked that in any public statement, the Embassy, "on behalf of sanity," call for the democratic parties to form a government.

17. (c) Kostunica said he was not satisfied with the outcome, but

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had long experience with Serbian parliamentary politics and felt he had to bring stability to the parliament, with a UNSCR moving forward in New York. He said he is still open to compromise regarding coalition talks, noting that he had made several good offers to Tadic and, had they been accepted, the election of Nikolic would have been unnecessary. Asked if he was concerned about being seen as in league with the Radicals, Kostunica responded no, he needed to bring Serbia's body politic into "normalcy." We have a problem if the party with the plurality is not integrated into the institution, he said. Nikolic's election, he averred, is simply for the good functioning of the parliament and the rules of procedure. Serbia needs, he rationalized, a functioning parliament to represent us in international fora. He maintained that such integration has always been part of his political philosophy.

18. (c) Continuing predictably, Kostunica said this moment is very difficult because of Kosovo. Had there been more patience, time, and compromise, things would have been better. Asked if he was prepared to enter coalition with SRS, he was initially evasive. When pressed, and reminded of his assurance that he would never form a coalition with the SRS, he responded that the election of Nikolic has not changed his position. The Ambassador said he hoped for Serbia's sake Kostunica would not find it necessary to govern with the SRS, adding that he was also particularly concerned with the Milosevic-era rhetoric that fueled the parliamentary debate. Kostunica said hate speech is often directed at him as well, and perpetrated by some in the media. He said he has never supported or encouraged such speech, and that he sticks by the philosophy of Jefferson - he will protect his political rivals' right even to slander.

19. (c) We have drafted a statement in response to the events to be released to the BETA news agency and subsequently posted on our website. The statement highlights our disappointment with the return of Milosevic-era hate speech to mainstream Serbian politics and reaffirms our readiness to work with those people in Serbia who want to work for a better, more stable, and European future for their country.

FUTURE SCENARIOS

¶10. (c) There are at least four possible outcomes for government formation as a result of this latest development:

A) New Elections: This is the most likely scenario, primarily due to Dinkic's rejection of continued negotiations in the event of Nikolic's election. DS rank and file would also favor this outcome, as it would preserve some morale high ground from the coalition talks, allowing Tadic to blame Kostunica's actions for the breakdown.

A new elections scenario would not necessarily disadvantage Kostunica either, as it would keep his "caretaker" government in place until as late as November, when the next round of coalition talks would end (elections would have to be held by July 13). In this scenario, though, all democratic bloc parties would expect to lose votes due to much lower turnout caused by both voter fatigue and the summer holidays, during which the democratic demographic would disproportionately be away on vacation.

B) Coalition Deal is Struck - Tadic makes more concessions: This is the next most likely outcome. Tadic has been under pressure from within some wings of his own party to strike a deal, and in some measure probably believes failure to form a government will make him look weak to democratic voters. For this scenario to occur, Tadic would likely have to concede both the Interior Ministry and the head of the intelligence service (BIA), plus potentially other heretofore unknown positions if Kostunica smells the blood in the water. Dinkic would also have to agree to join the coalition, which he has categorically rejected - but could come around with the right sweetener, e.g. Finance, which DS would have to give up. The consequence of such a deal would probably be a catastrophic drop in voter support for DS and for Tadic personally and the marginalization of the democratic center and left for the foreseeable future.

C) Coalition Deal is Struck - Kostunica backs down: A far less likely outcome would be a coalition deal in which Kostunica gives up his demands for BIA. Given that Kostunica intentionally raised the stakes by putting Nikolic in control of parliament, and given his intransigent personality and likely belief that he can out-politic Tadic, this outcome seems unlikely. Again, in this scenario, Dinkic would have to agree to re-join the coalition. Nikolic's acceptance speech all but admitted that he was allowing himself to be used as a chip in the coalition negotiations, though, which would give some credence to such a scenario - Kostunica shows that he can bring the Radicals on board, then retreats.

D) DSS, SRS, and SPS form a coalition government: this is the least likely outcome, but cannot be ruled out given Kostunica's willingness to put SRS in control of the parliament and even despite his repeated assurances to the Ambassador. Kostunica would have some temporary sway over SRS as kingmaker, but ultimately would probably be swallowed by the far larger, more ideologically pure and better

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organized SRS. Such a deal would also make SRS and DSS solely responsible for the Kosovo outcome - a prospect Kostunica has worked hard to avoid from the beginning.

E) Finally, an "only in Serbia" conspiratorial possibility now making the rounds is that, under Article 200 of the Constitution, the speaker of the parliament could declare a state of emergency after a Kosovo status decision in the UNSC but before elections are held. In such a scenario, the existing caretaker government would remain in place, elections would be deferred, and the speaker would retain his ability to propose and call votes on legislation. That this scenario is even being debated is indicative of the dour mood in the country.

COMMENT

¶11. (c) Two trends have been clarified by this most recent development: first, that it is becoming even more difficult to distinguish Kostunica's party from that of the Radicals. It is harder and harder for Kostunica to maintain his democratic credentials while allowing his party to resort to Milosevic-era hate-speech, lashing up with chauvinistic nationalists in the

hinterlands, and now officially supporting the Radical party. Indeed, his stated eagerness to legitimize the SRS - a party that rejects the reality of Srebrenica and worships war criminals as national heroes - speaks volumes about Kostunica's commitment to moving Serbia forward. Coupled with his strong embrace of Russia and increasing anti-US and anti-Western rhetoric, it appears Kostunica is putting everything into a hardline Kosovo position, and is ready to view Serbian politics only through that distorted lens.

¶12. (c) Second, it is clearer than ever that Tadic is weak-willed and cannot enforce discipline within his party. Highly-placed DS sources told us the morning of May 8 that Tadic had proposed giving Interior and BIA to Kostunica, only to be vociferously shouted down by party VP Dragan Sutanovac and others in the more aggressive factions of DS. This may bode well for DS's future as a sustainable democratic party, but bodes ill for Tadic's continued ability to lead the party or represent its will.

¶13. (c) We are sharing some of our insights and analysis with at least our Quint embassy friends with the hope that it will inform and influence their reactions to these events.

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